



Financial Statements
December 31, 2013
City of Pierre

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Independent Auditor's Report

The City Commission
City of Pierre
Pierre, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pierre, South Dakota as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of The Housing and Redevelopment Commission of the City of Pierre, South Dakota, a discretely presented component unit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Housing and Redevelopment Commission of the City of Pierre, South Dakota, a discretely presented component unit, which statements reflect total assets of \$1,270,177 as of June 30, 2013, and total revenues of \$734,530 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pierre, South Dakota, as of December 31, 2013, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As described in Note 20 to the financial statements, the City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As discussed in Note 20 to the financial statements, the City has retroactively restated the previously reported net position to account for bond issuance costs in accordance with this Statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress and budgetary comparison information on pages 45 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pierre, South Dakota's financial statements. The combining and individual nonmajor fund financial statements, and the schedule of expenditures of passenger facility charges are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of passenger facility charges, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of passenger facility charges, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2015 on our consideration of City of Pierre, South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
February 19, 2015

City of Pierre
Statement of Net Position—Exhibit I
December 31, 2013

	Primary Government			Component Unit
	Governmental	Business-Type		Housing and
	Activities	Activities	Total	Redevelopment
				Commission
Assets				
Cash and cash equivalents	\$ 1,879,360	\$ 5,604,133	\$ 7,483,493	\$ 108,088
Investments	549,019	3,272,930	3,821,949	421,753
Receivables	1,480,980	3,218,730	4,699,710	2,075
Internal balances	922,365	(922,365)	-	-
Inventories	147,715	1,881,463	2,029,178	2,513
Other assets	151,154	-	151,154	19,387
Restricted assets:				
Cash and cash equivalents	120,721	1,783,348	1,904,069	17,996
Investments	402,000	2,576,652	2,978,652	-
Deposits	247,374	-	247,374	-
Capital assets:				
Land and construction in process	11,742,886	4,318,923	16,061,809	87,432
Other capital assets, net of depreciation	34,018,656	73,772,880	107,791,536	610,933
	<u>\$ 51,662,230</u>	<u>\$ 95,506,694</u>	<u>\$ 147,168,924</u>	<u>\$ 1,270,177</u>
Liabilities				
Accounts payable	\$ 819,111	\$ 1,859,596	\$ 2,678,707	\$ 11,489
Accrued interest	163,174	96,955	260,129	-
Other current liabilities	119,157	574,947	694,104	23,002
Noncurrent liabilities:				
Landfill closure and post closure costs	-	547,538	547,538	-
Due within one year	2,158,480	1,474,385	3,632,865	3,712
Due in more than one year	6,030,296	18,456,624	24,486,920	3,315
Total liabilities	<u>9,290,218</u>	<u>23,010,045</u>	<u>32,300,263</u>	<u>41,518</u>
Net Position				
Net investment in capital assets	38,535,990	58,489,985	97,025,975	698,365
Restricted for:				
Construction	-	2,062,435	2,062,435	-
Housing assistance payments - component	-	-	-	17,996
Debt service	468,257	1,779,025	2,247,282	-
Cemetery	54,464	-	54,464	-
Other purposes				
Public assurance alliance	247,374	-	247,374	-
Storm drainage	120,017	-	120,017	-
Library	348,153	-	348,153	-
911 purposes	307,789	-	307,789	-
Unrestricted	<u>2,289,968</u>	<u>10,165,204</u>	<u>12,455,172</u>	<u>512,298</u>
Total net position	<u>42,372,012</u>	<u>72,496,649</u>	<u>114,868,661</u>	<u>1,228,659</u>
	<u>\$ 51,662,230</u>	<u>\$ 95,506,694</u>	<u>\$ 147,168,924</u>	<u>\$ 1,270,177</u>

City of Pierre
Statement of Activities–Exhibit II
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Housing and Redevelopment Commission
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business-Type Activities	Total	
Primary Government					Governmental Activities			
Governmental activities:								
General government	\$ 4,802,973	\$ 2,575,597	\$ -	\$ -	\$ (2,227,376)	\$ -	\$ (2,227,376)	\$ -
Public safety	3,687,541	175,157	89,738	112,108	(3,310,538)	-	(3,310,538)	-
Public works	4,240,938	354,242	375,545	629,343	(2,881,808)	-	(2,881,808)	-
Health and welfare	131,904	-	14,000	-	(117,904)	-	(117,904)	-
Culture and recreation	4,245,886	597,945	108,864	1,509,747	(2,029,330)	-	(2,029,330)	-
Conservation and development	1,244,596	-	-	-	(1,244,596)	-	(1,244,596)	-
Intergovernmental	474,940	-	-	-	(474,940)	-	(474,940)	-
*Interest on long-term debt	317,437	-	-	-	(317,437)	-	(317,437)	-
Total governmental activities	19,146,215	3,702,941	588,147	2,251,198	(12,603,929)	-	(12,603,929)	-
Business-type activities:								
Water	2,185,656	2,628,729	-	-	-	443,073	443,073	-
Electric	12,202,374	15,490,656	-	-	-	3,288,282	3,288,282	-
Waste water	2,884,007	2,705,345	-	265,000	-	86,338	86,338	-
Airport	2,378,920	325,567	-	1,802,989	-	(250,364)	(250,364)	-
Garbage	187,477	80,376	-	-	-	(107,101)	(107,101)	-
Landfill	1,647,321	1,252,752	-	-	-	(394,569)	(394,569)	-
Total business-type activities	21,485,755	22,483,425	-	2,067,989	-	3,065,659	3,065,659	-
Total primary government	\$ 40,631,970	\$ 26,186,366	\$ 588,147	\$ 4,319,187	(12,603,929)	3,065,659	(9,538,270)	-
Component Unit								
Housing and Redevelopment Commission	\$ 917,501	\$ 118,337	\$ 522,520	\$ -				(276,644)
General Revenues								
Taxes:								
Property taxes					3,115,955	-	3,115,955	-
Sales taxes					7,512,069	-	7,512,069	-
State shared revenue					191,319	-	191,319	-
County shared revenue					183,955	-	183,955	-
Unrestricted investment earnings					13,367	42,570	55,937	3,890
Other general revenues					170,098	-	170,098	89,783
Transfers					857,542	(857,542)	-	-
Gain (loss) on disposal of fixed assets					17,464	(193,094)	(175,630)	-
Total general revenues, transfers, and gain (loss) on disposal of fixed assets					12,061,769	(1,008,066)	11,053,703	93,673
Change in Net Position					(542,160)	2,057,593	1,515,433	(182,971)
Net Position - Beginning, as previously stated					42,972,136	70,646,317	113,618,453	1,411,630
Adjustments								
Change in reporting, GASB 65 (See Note 20)					(57,964)	(207,261)	(265,225)	-
Net Position - Beginning, as restated					42,914,172	70,439,056	113,353,228	1,411,630
Net Position - Ending					\$ 42,372,012	\$ 72,496,649	\$ 114,868,661	\$ 1,228,659

* The City does not have interest expense related to the governmental functions. This amount includes indirect interest on general long-term debt.

City of Pierre
Balance Sheet—Governmental Funds—Exhibit III
December 31, 2013

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,199,690	\$ -	\$ 679,670	\$ 1,879,360
Investments	247,702	-	301,317	549,019
Taxes receivable, delinquent	55,290	-	-	55,290
Accounts receivable, net	82,105	4,197	82,562	168,864
Unbilled accounts receivable	-	-	14,845	14,845
Special assessments receivable, delinquent	711	-	-	711
Due from other government	767,431	393,681	58,553	1,219,665
Due from other funds	481,131	467,958	-	949,089
Interest receivable	82	-	-	82
Inventory of supplies	147,715	-	-	147,715
Deposits	247,374	-	-	247,374
Prepaid expenses	151,154	-	-	151,154
Restricted cash and cash equivalents	-	66,257	54,464	120,721
Restricted investments	-	402,000	-	402,000
	<u>\$ 3,380,385</u>	<u>\$ 1,334,093</u>	<u>\$ 1,191,411</u>	<u>\$ 5,905,889</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 298,245	\$ 10,500	\$ 289,787	\$ 598,532
Accrued taxes payable	1,134	-	-	1,134
Revenue collected in advance	107,724	-	299	108,023
Total liabilities	<u>407,103</u>	<u>10,500</u>	<u>290,086</u>	<u>707,689</u>
Deferred Inflows of Resources				
Unavailable revenues	<u>159,942</u>	<u>103,941</u>	<u>17,924</u>	<u>281,807</u>
Fund Balances				
Nonspendable	546,243	-	-	546,243
Restricted	-	468,257	830,422	1,298,679
Committed	-	401,395	72,553	473,948
Assigned	1,029,947	350,000	-	1,379,947
Unassigned	1,237,150	-	(19,574)	1,217,576
Total fund balances	<u>2,813,340</u>	<u>1,219,652</u>	<u>883,401</u>	<u>4,916,393</u>
	<u>\$ 3,380,385</u>	<u>\$ 1,334,093</u>	<u>\$ 1,191,411</u>	<u>\$ 5,905,889</u>

City of Pierre

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended December 31, 2013

	<u>Total</u>
Total Fund Balances - Governmental Funds	\$ 4,916,393
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	45,761,542
Long-term liabilities, including bonds payable, capital leases payable, accrued leave payable and accrued other post-employment benefits are not due and payable in the current period and; therefore, are not reported in the funds.	(8,188,776)
Taxes collected after year-end, but not available soon enough to pay for current period expenditures	281,807
Payables for interest are recognized as expenses on the economic full accrual economic resources measurement focus presented in the government-wide financial statements but are not recognized generally until paid, which is recognized when due on the modified accrual current financial resources measurement focus presented in the fund financial statements.	(163,174)
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>(235,780)</u>
Net Position - Governmental Funds	<u><u>\$ 42,372,012</u></u>

City of Pierre

Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2013

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
General property taxes	\$ 2,654,311	\$ -	\$ 168,673	\$ 2,822,984
General sales and use taxes	3,505,429	3,505,429	501,211	7,512,069
911 Telephone surcharge	-	-	280,266	280,266
Penalties and interest on delinquent taxes	4,906	-	-	4,906
Licenses and permits	212,185	-	-	212,185
Intergovernmental revenue:				
Federal grants	733,081	1,509,747	-	2,242,828
State grants	112,108	-	-	112,108
State shared revenues:				
Bank franchise tax	73,263	-	-	73,263
Liquor tax reversion	118,056	-	-	118,056
Motor vehicle licenses (5%)	72,582	-	-	72,582
Local government highway and bridge fund	302,963	-	-	302,963
County shared revenues:				
County road tax (25%)	6,004	-	-	6,004
Other	11,812	-	166,139	177,951
Charges for goods and services:				
General government	455,320	-	50,251	505,571
Public safety	44,339	-	130,818	175,157
Highways and streets	-	-	316,805	316,805
Culture and recreation	592,302	-	5,643	597,945
Cemetery	37,437	-	-	37,437
Fines and forfeits:				
Court fines and costs	5,548	-	-	5,548
Library	-	-	21	21
Parking meter fines	7,050	-	-	7,050
Miscellaneous revenues:				
Investment earnings	7,113	2,008	4,001	13,122
Rentals	35,609	-	-	35,609
Special assessments	-	21,552	-	21,552
Contributions from private sources	107,885	-	979	108,864
Other	155,832	-	1,647	157,479
Total revenues	9,255,135	5,038,736	1,626,454	15,920,325

City of Pierre

Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2013

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Expenditures				
General government:				
Legislative	166,263	-	-	166,263
Elections	5,155	-	-	5,155
Financial administration	939,530	-	-	939,530
Other	1,308,363	-	124,816	1,433,179
Public safety:				
Police	2,360,302	-	570,973	2,931,275
Fire	309,246	77,300	-	386,546
Public works:				
Highways and streets	1,511,120	878,302	602,841	2,992,263
Cemeteries	216,280	-	-	216,280
Health and welfare:				
Health	46,419	-	-	46,419
Ambulance	-	80,000	-	80,000
Culture and recreation				
Recreation	540,403	750	29,900	571,053
Parks	2,109,520	116,917	-	2,226,437
Libraries	701,919	9,888	(396)	711,411
Auditorium	556	-	-	556
Conservation and development:				
Economic development	298,505	-	946,091	1,244,596
Debt service	40,855	815,559	589,908	1,446,322
Intergovernmental	474,940	-	-	474,940
Capital outlay	-	2,488,582	81,094	2,569,676
Total expenditures	<u>11,029,376</u>	<u>4,467,298</u>	<u>2,945,227</u>	<u>18,441,901</u>
Excess of Revenue over (under) Expenditures	<u>(1,774,241)</u>	<u>571,438</u>	<u>(1,318,773)</u>	<u>(2,521,576)</u>
Other Financing Sources (Uses)				
Transfers in	1,337,326	-	203,606	1,540,932
Sale of City property	52,361	-	-	52,361
Transfers out	<u>(230,585)</u>	<u>(452,805)</u>	<u>-</u>	<u>(683,390)</u>
Total other financing sources (uses)	<u>1,159,102</u>	<u>(452,805)</u>	<u>203,606</u>	<u>909,903</u>
Net Change in Fund Balances	(615,139)	118,633	(1,115,167)	(1,611,673)
Fund Balance - Beginning	<u>3,428,479</u>	<u>1,101,019</u>	<u>1,998,568</u>	<u>6,528,066</u>
Fund Balance - Ending	<u>\$ 2,813,340</u>	<u>\$ 1,219,652</u>	<u>\$ 883,401</u>	<u>\$ 4,916,393</u>

City of Pierre

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-
Wide Statement of Activities
Year Ended December 31, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (1,611,673)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	300,567
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,145,262
In the statement of activities gains and losses on disposal of capital assets are reported, whereas in the fund financial statements, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(34,897)
Accrued interest reported in the statement of activities does not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds.	(16,377)
Property tax revenues and special assessments are reported in the period to be financed by the property tax levy or special assessments for both the governmental funds and the governmental activities, but in the funds statement, any amounts that are not "available" are offset with deferred inflows.	7,799
Governmental funds do not reflect the change in accrued leave or other post-employment benefits, but the statement of activities reflects the change in these liabilities through expenditures.	(32,803)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net income of the internal service funds is reported with governmental activities.	(300,038)
Change in Net Position of Governmental Activities	<u><u>\$ (542,160)</u></u>

City of Pierre
Balance Sheet–Proprietary Funds–Exhibit V
December 31, 2013

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	Internal Service Funds
Assets							
Current Assets							
Cash and cash equivalents	\$ 1,910,429	\$ 2,591,149	\$ 115,368	\$ -	\$ 987,187	\$ 5,604,133	\$ -
Investments	-	3,272,930	-	-	-	3,272,930	-
Accounts receivable, net	77,361	815,832	103,249	40,377	119,627	1,156,446	21,523
Unbilled accounts receivable	86,703	764,718	128,556	-	4,587	984,564	-
Notes receivable	-	12,831	-	-	-	12,831	-
Due from federal/state government	-	-	97,510	966,737	-	1,064,247	-
Interest receivable	-	642	-	-	-	642	-
Inventory of supplies	350,221	1,384,410	-	26,206	107,936	1,868,773	-
Inventory of stores purchased for resale	-	-	-	-	12,690	12,690	-
Total current assets	2,424,714	8,842,512	444,683	1,033,320	1,232,027	13,977,256	21,523
Noncurrent Assets							
Restricted cash and cash equivalents	60,568	1,199,216	5,024	-	518,540	1,783,348	-
Restricted investments	-	2,027,219	549,433	-	-	2,576,652	-
Capital assets:							
Land	85,583	1,450	49,434	235,889	2,408,898	2,781,254	-
Buildings	1,005,809	1,360,358	16,522,657	20,837,526	2,966,782	42,693,132	-
Improvements	11,006,336	24,613,947	7,261,193	16,037,028	264,926	59,183,430	-
Machinery and equipment	1,986,637	1,524,273	1,459,280	3,445,639	2,619,635	11,035,464	-
Construction in progress	-	1,537,669	-	-	-	1,537,669	-
Less accumulated depreciation	(4,955,283)	(7,036,036)	(13,198,558)	(11,568,306)	(2,380,963)	(39,139,146)	-
Total noncurrent assets	9,189,650	25,228,096	12,648,463	28,987,776	6,397,818	82,451,803	-
	<u>\$ 11,614,364</u>	<u>\$ 34,070,608</u>	<u>\$ 13,093,146</u>	<u>\$ 30,021,096</u>	<u>\$ 7,629,845</u>	<u>\$ 96,429,059</u>	<u>\$ 21,523</u>

City of Pierre
Balance Sheet–Proprietary Funds–Exhibit V
December 31, 2013

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	Internal Service Funds
Liabilities							
Current Liabilities							
Accounts payable	\$ 128,180	\$ 1,410,260	\$ 83,733	\$ 109,129	\$ 128,294	\$ 1,859,596	\$ 220,579
Incurred but not reported claims	-	-	-	-	-	-	10,000
Accrued interest payable	2,915	34,277	59,763	-	-	96,955	-
Accrued taxes payable	(7)	60,853	11	-	2,946	63,803	-
Accrued leave payable	35,946	103,627	82,536	17,185	89,897	329,191	-
Customer deposits	-	486,065	-	25	-	486,090	-
Revenue collected in advance	2,401	20,112	2,429	3	109	25,054	-
Due to (from) other funds	(31,433)	(25,654)	16,533	963,104	(185)	922,365	26,724
Bonds payable current:							
Revenue	200,194	335,000	610,000	-	-	1,145,194	-
Total current liabilities	338,196	2,424,540	855,005	1,089,446	221,061	4,928,248	257,303
Noncurrent Liabilities							
Bonds payable:							
Revenue	1,076,624	12,895,000	4,485,000	-	-	18,456,624	-
Accrued landfill closure and postclosure costs	-	-	-	-	547,538	547,538	-
Total noncurrent liabilities	1,076,624	12,895,000	4,485,000	-	547,538	19,004,162	-
Net Position							
Net investment in capital assets	7,852,264	8,771,661	6,999,006	28,987,776	5,879,278	58,489,985	-
Restricted for:							
Bond debt service	60,568	1,164,000	554,457	-	-	1,779,025	-
Construction	-	2,062,435	-	-	-	2,062,435	-
Unrestricted	2,286,712	6,752,972	199,678	(56,126)	981,968	10,165,204	(235,780)
Total net position	10,199,544	18,751,068	7,753,141	28,931,650	6,861,246	72,496,649	(235,780)
	\$ 11,614,364	\$ 34,070,608	\$ 13,093,146	\$ 30,021,096	\$ 7,629,845	\$ 96,429,059	\$ 21,523

City of Pierre
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds—Exhibit VI
Year Ended December 31, 2013

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	Internal Service Funds
Operating Revenue							
Charges for goods and services	\$ 2,628,729	\$ 15,096,716	\$ 2,271,838	\$ 190,226	\$ 1,331,447	\$ 21,518,956	\$ 1,800,680
Revenue dedicated to servicing debt	-	-	369,024	-	-	369,024	-
Miscellaneous	-	351,480	60,015	130	24	411,649	-
Total operating revenue	<u>2,628,729</u>	<u>15,448,196</u>	<u>2,700,877</u>	<u>190,356</u>	<u>1,331,471</u>	<u>22,299,629</u>	<u>1,800,680</u>
Operating Expenses							
Personal services	540,542	817,418	465,846	355,116	629,639	2,808,561	1,699,647
Other current expenses	798,364	1,400,733	887,536	322,000	638,225	4,046,858	401,316
Materials (cost of goods sold)	428,162	8,529,745	674,915	315,022	277,855	10,225,699	-
Depreciation	370,278	625,707	736,185	1,386,782	289,079	3,408,031	-
Total operating expenses	<u>2,137,346</u>	<u>11,373,603</u>	<u>2,764,482</u>	<u>2,378,920</u>	<u>1,834,798</u>	<u>20,489,149</u>	<u>2,100,963</u>
Operating Income (Loss)	<u>491,383</u>	<u>4,074,593</u>	<u>(63,605)</u>	<u>(2,188,564)</u>	<u>(503,327)</u>	<u>1,810,480</u>	<u>(300,283)</u>
Nonoperating Revenue (Expense)							
Capital grants	-	-	265,000	1,802,989	-	2,067,989	-
Investment earnings	5,101	31,608	2,247	-	3,614	42,570	245
Rental revenue	-	42,460	4,468	135,211	1,657	183,796	-
Interest expense	(48,310)	(828,771)	(119,525)	-	-	(996,606)	-
Gain (loss) on disposition of assets	(756)	(168,270)	-	(52,842)	28,774	(193,094)	-
Total nonoperating revenue (expense)	<u>(43,965)</u>	<u>(922,973)</u>	<u>152,190</u>	<u>1,885,358</u>	<u>34,045</u>	<u>1,104,655</u>	<u>245</u>
Income (Loss) Before Contributions and Transfers	<u>447,418</u>	<u>3,151,620</u>	<u>88,585</u>	<u>(303,206)</u>	<u>(469,282)</u>	<u>2,915,135</u>	<u>(300,038)</u>
Transfers in	349,418	-	-	139,159	340,625	829,202	-
Transfers out	<u>-</u>	<u>(1,686,744)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,686,744)</u>	<u>-</u>
Change in Net Position	<u>796,836</u>	<u>1,464,876</u>	<u>88,585</u>	<u>(164,047)</u>	<u>(128,657)</u>	<u>2,057,593</u>	<u>(300,038)</u>
Net Position - Beginning, as previously stated	9,402,708	17,493,453	7,664,556	29,095,697	6,989,903	70,646,317	64,258
Adjustments							
Change in reporting, GASB 65 (See Note 20)	<u>-</u>	<u>(207,261)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(207,261)</u>	<u>-</u>
Net Position - Beginning, as restated	<u>9,402,708</u>	<u>17,286,192</u>	<u>7,664,556</u>	<u>29,095,697</u>	<u>6,989,903</u>	<u>70,439,056</u>	<u>64,258</u>
Net Position - Ending	<u>\$ 10,199,544</u>	<u>\$ 18,751,068</u>	<u>\$ 7,753,141</u>	<u>\$ 28,931,650</u>	<u>\$ 6,861,246</u>	<u>\$ 72,496,649</u>	<u>\$ (235,780)</u>

See Notes to Financial Statements

City of Pierre
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2013

	Enterprise Funds					
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Internal Service Funds
Cash Flows from (used for) Operating Activities						
Receipts from customers	\$ 2,623,867	\$ 15,210,058	\$ 2,600,224	\$ (335,653)	\$ 1,283,209	\$ 1,873,694
Payments to suppliers	(1,005,922)	(10,407,601)	(1,587,245)	(562,585)	(692,410)	(427,067)
Payments to employees	(548,626)	(808,411)	(464,510)	(353,084)	(615,521)	(1,699,647)
Net Cash from (used for) Operating Activities	1,069,319	3,994,050	548,477	(1,251,310)	(24,722)	(253,020)
Cash Flows from (used for) Noncapital Financing Activities						
Due (to) from other funds	(31,433)	(25,654)	16,518	963,104	(186)	26,724
Transfers from other funds	349,418	-	-	139,159	340,625	-
Transfers to other funds	-	(1,686,744)	-	-	-	-
Net Cash from (used for) Noncapital Financing Activities	317,985	(1,712,398)	16,518	1,102,263	340,439	26,724
Cash Flows from (used for) Capital and Related Financing Activities						
Capital grants	-	-	265,000	1,802,989	-	-
Proceeds from sale of capital assets	1,169	48,866	-	1,320	-	-
Other receipts	-	42,460	4,468	135,211	30,431	-
Purchase of capital assets	(993,406)	(10,115,025)	(545,906)	(1,790,572)	(218,048)	-
Debt principal paid	(193,337)	(330,000)	(600,000)	-	-	-
Debt interest paid	(48,935)	(829,252)	(125,187)	-	-	-
Net Cash from (used for) Capital and Related Financing Activities	(1,234,509)	(11,182,951)	(1,001,625)	148,948	(187,617)	-
Cash Flows from (used for) Investing Activities						
Cash (invested in) provided by restricted / reserve accounts	-	10,456,397	-	-	(26,910)	-
Cash received for interest	5,101	31,608	2,247	-	3,614	245
Net Cash from (used for) Investing Activities	5,101	10,488,005	2,247	-	(23,296)	245

City of Pierre
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2013

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	Internal Service Funds
Net Change in Cash and Cash Equivalents	157,896	1,586,706	(434,383)	(99)	104,804	1,414,924	(226,051)
Balances - Beginning	<u>1,752,533</u>	<u>4,277,373</u>	<u>549,751</u>	<u>99</u>	<u>882,383</u>	<u>7,462,139</u>	<u>226,051</u>
Balances - Ending	<u>\$ 1,910,429</u>	<u>\$ 5,864,079</u>	<u>\$ 115,368</u>	<u>\$ -</u>	<u>\$ 987,187</u>	<u>\$ 8,877,063</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to net cash from (used for) operating activities:							
Operating income (loss)	\$ 491,383	\$ 4,074,593	\$ (63,605)	\$ (2,188,564)	\$ (503,327)	\$ 1,810,480	\$ (300,283)
Adjustments to reconcile operating income to net cash from (used for) operating activities:							
Depreciation expense	370,278	625,707	736,185	1,386,782	289,079	3,408,031	-
Change in assets and liabilities:							
Receivables	(4,862)	(255,324)	(100,653)	(526,009)	(48,262)	(935,110)	73,014
Inventories	156,931	(312,456)	-	16,402	5,598	(133,525)	-
Accounts and other payables	63,673	(164,663)	(24,786)	58,047	218,072	150,343	(25,751)
Customer deposits	-	17,186	-	-	-	17,186	-
Accrued leave payable	(8,084)	9,007	1,336	2,032	14,118	18,409	-
Net Cash from (used for) Operating Activities	<u>\$ 1,069,319</u>	<u>\$ 3,994,050</u>	<u>\$ 548,477</u>	<u>\$ (1,251,310)</u>	<u>\$ (24,722)</u>	<u>\$ 4,335,814</u>	<u>\$ (253,020)</u>
Noncash Investing, Capital and Financing Activities:							
Gain (loss) on disposal of capital assets not affecting income	\$ (756)	\$ (168,270)	\$ -	\$ (52,842)	\$ 28,774	\$ (193,094)	\$ -

City of Pierre
Statement of Net Position—Fiduciary Funds—Exhibit VIII
December 31, 2013

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 19,988</u>
	<u><u>\$ 19,988</u></u>
Liabilities	
Accounts payable and other payables	\$ 7,550
Amounts held for other	<u>12,438</u>
	<u><u>\$ 19,988</u></u>

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The reporting entity of the City of Pierre (the City) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent of the City.

Financial statements of the Housing and Redevelopment Commission of the City of Pierre, SD are discretely presented in the accompanying financial statements under "component units". This financial information is as of and for the year ended June 30, 2013. The financial statements have been audited by other auditors. During the Commission's fiscal year ended June 30, 2013, the Commission incurred \$30,685, of utilities and internal service charges from different departments of the City of Pierre. The total amount due to the City of Pierre for these charges as of June 30, 2013 was \$3,236.

The component unit is a governmental unit formed to provide low income housing to residents of the City of Pierre.

The criteria for including the component unit in the financial reporting entity is that of control over the appointment of members of the governing board of the component unit. The City Commission appoints the board members of the component unit, thus having control over it. The City Commission has the statutory authority to approve or deny any proposed Commission housing Projects (SDCL 11-7-49 through 49.1, 11-7-53 and 11-7-78) and to approve or disapprove the Housing Commission's intent to issue long-term debt, by disapproving a proposed project to be so financed. (SDCL 11-7-53.2)

The component unit is reported using the accrual basis for accounting.

Separate financial statements for the component unit can be obtained from the City of Pierre Housing and Redevelopment Commission of Pierre, PO Box 937, Pierre South Dakota 57501.

The City participates in a cooperative unit for Exposition Building (Hughes County, Stanley County, and the City of Fort Pierre (see Note 17)). Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the City.

B. Basis of Presentation

Government-Wide Statements

The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. In order to minimize the grossing-up effect on asset and liabilities within the governmental and business-type funds activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities which are presented as Internal Balances. These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A above and may be classified as either governmental or business-type activities. See the discussion of individual component unit in Note 1 above.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the funds operations.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Improvement Fund – A fund established by ordinance to account for a portion of the City’s general sales tax. Proceeds from this tax are to be used for retiring capital improvement indebtedness for both Governmental and Business-Type Activity debt. This is a major fund.

The remaining Special Revenue Funds are reported in the aggregate in the Other Governmental Funds Column on the fund financial statements: Special Sales Tax Fund, Storm Drainage Fund, E911 Fund, Library Fund, Police Pistol Range Fund, Cable Access Fund, Special Recreation Fund, and Cities of Service Fund. These are not major funds.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principle, may be used for purposes that support the City’s programs – that is for the benefit of the City and its citizenry.

Cemetery Perpetual Care Fund – To account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery (SDCL 9-32-18). This is not a major fund.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

TIF Funds – To account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has three of these debt service funds (TIF #4, TIF #5, and TIF #6). These are not major funds.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expensed incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds and of the government’s internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise Funds

The City reports the following major enterprise funds:

Water Fund – Financed primarily by user charges this fund accounts for the construction and operation of the City waterworks system and related facilities (SDCL 9-47-1).

Electric Fund – To account for the construction and operation of the municipal electrical system and related facilities (SDCL 9-39-1 and 9-39-96).

Wastewater Fund – To account for the construction and operation of the municipal sewer system and related facilities (SDCL 9-48-2).

Airport Fund – To account for the acquisition, construction and operation of a municipal airport (SDCL 50-7-2).

The City reports the following non-major enterprise funds:

Garbage Fund – To account for the collection and disposal of solid waste from the City (SDCL 9-32-11 and 34A-6).

Landfill Fund – To account for the construction and operation of landfill operation for the City.

Internal Services Funds - Internal Services Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. The Health Insurance Fund is the only internal service fund maintained by the City. Internal service funds are never considered to be major funds.

Fiduciary Funds

Agency Funds – Agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The majority of the Agency Funds account for the activity of the “Payroll Clearing Fund” and “Medical Reimbursement Clearing Fund”. Agency funds are never considered to be major funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2013 are sales tax, real estate taxes, state shared revenues and miscellaneous other revenues.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principle and interest on general long-term debt which are recognized when due.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

D. Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses” including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund so that expenses are reported only in the function to which they relate.
3. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement.

Fund Financial Statements

Noncurrent portions of long-term interfund receivables (reported in “Advance to” asset accounts) are equally offset by nonspendable fund balance which indicates that they do not constitute “available spendable resources” since they are not a component of net current assets. Current portions of interfund receivables (reported in “Due from” asset accounts) are considered “available spendable resources”.

E. Deposits and Investments

For the purpose of financial reporting and the statement of cash flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

F. Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as “Improvements other than Buildings”.

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with US GAAP, while for capital assets used in business-type activities/proprietary fund’s operations, construction period interest is capitalized in accordance with US GAAP.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

Government-Wide Statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend to useful life of a capital asset are also capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide statement of activities, with net capital assets reflected in the statement of net position. Accumulated depreciation is reported on the government-wide statement of net position and on each proprietary fund's statement of net position/balance sheet. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	***	***	***
Buildings	\$ 5,000	Straight-line	40-99 years
Improvements other than buildings	5,000	Straight-line	10-25 years
Machinery and equipment	5,000	Straight-line	3-25 years
Infrastructure	5,000	Straight-line	25-50 years
Utilities, property and improvements	5,000	Straight-line	10-50 years

***Land, an inexhaustible capital asset, is all capitalized and is not depreciated.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

G. Deferred Inflows of Resources

Deferred inflows of resources consists of unavailable revenues for services already provided and is therefore not recognized in the governmental fund financial statements. Revenue will be recognized in the period in which the amounts become available.

H. Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, revenue bonds payable and capital leases.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principle and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

I. Program Revenues

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for Services – These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-Specific Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-Specific Capital Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

J. Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's statement of activities, revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

K. Cash and Cash Equivalents

The City pools the cash resources of its funds for cash management purpose. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's unrestricted equity in the cash management pool is considered to be cash equivalents for the purpose of the statement of cash flows, excluding funds that are held in reserve or restricted.

L. Restricted Assets

Certain debt proceeds of the City's governmental and enterprise funds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Also certain resources have been set aside to fund capital asset construction and future landfill closure and post-closure costs.

M. Equity Classifications

Government-Wide Statements

Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisitions, construction or improvement of those assets.

2. Restricted Net Position – Consists of net position with constraints places on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned”, and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

N. Application of Net Position

It is the City’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

O. Fund Balance Classification Policies and Procedures

The City follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance - Amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact. Nonspendable assets of the City also include the vested balance in the reserve fund of the South Dakota Public Assurance Alliance (see Note 3).
- Restricted Fund Balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance - Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- Unassigned Fund Balance - Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

A schedule of fund balances reported on the balance sheet of the governmental funds is provided as follows:

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances				
Nonspendable:				
Public assurance alliance reserve	\$ 247,374	\$ -	\$ -	\$ 247,374
Inventory	147,715	-	-	147,715
Prepaid expenses	151,154	-	-	151,154
Restricted for:				
Storm drainage	-	-	120,016	120,016
Library	-	-	348,153	348,153
Cities of service grant	-	-	-	-
911	-	-	307,789	307,789
Debt service	-	468,257	-	468,257
Cemetery	-	-	54,464	54,464
Committed to:				
Capital improvements	-	401,395	-	401,395
Public safety	-	-	5,759	5,759
Culture and recreation	-	-	66,794	66,794
Special sales tax	-	-	-	-
Assigned to:				
Applied to next year's budget	245,000	350,000	-	595,000
Capital accumulations	784,947	-	-	784,947
Unassigned	1,237,150	-	(19,574)	1,217,576
Total fund balances	\$ 2,813,340	\$ 1,219,652	\$ 883,401	\$ 4,916,393

P. Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. The statement amends the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to government employers that account for pensions provided through trusts, or equivalent arrangements, that meet certain criteria. The statement includes accounting guidance for employers participating in single-employer and multiple-employer defined benefit pension plans, cost-sharing plans and defined contribution plans. The statement also addresses note disclosure and required supplementary information for employers whose employees are provided with defined benefit pensions through trusts. GASB 27 and 50 will remain applicable to employers whose pensions are not covered by the scope of this new statement.

Under the new statements, a cost-sharing employer whose employees receive pensions through a trust will report a net pension asset or liability, deferred outflows or inflows of resources related to pensions and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. The share of collective net pension liability recognized by an individual employer should be based on the employer's relationship to all employers and non-employer contributing entities in the plan. The employer's proportion should be consistent with how contributions are determined; the use of the long-term contribution effort of the employer is encouraged. The measurement of collective net pension liability, pension expense and other key information will follow the same standards that apply to single and agent employers. The effects of changes to an employer's expected proportion of total employer-related contributions—as well as the effects of differences between the expected and actual proportionate share of total employer-related contributions each period—will be reported as a deferred outflow or inflow of resources and recognized in the employer's pension expense in a systematic and rational manner over a closed period representative of the average expected remaining service lives of employees, beginning with the period of adoption. Under the current standards, governments recognize only the portion of cost-sharing pension obligations related to their annual required contributions.

GASB 68 will be effective for fiscal years beginning after June 15, 2014, with earlier application is encouraged. The City is currently evaluating the impact this statement will have on financial reporting.

Q. Subsequent Events

Subsequent to year end, the City was awarded up to \$1,772,000 in state revolving funds from the South Dakota Department of Environment and Natural Resources for the construction of an additional landfill cell. Twenty percent of this award is a grant up to \$354,400 with the remainder being awarded as an SRF clean water bond. As of February 19, 2015 there have been no advances received from these awards.

Also subsequent to year-end, the City has entered into contracts in the amount of approximately \$6.9 million for various contracted projects.

Note 2 - Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1, and 7-20-1.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investments. The City's policy is to credit all income from deposits and investments to the fund making the investment.

The actual bank balances at December 31, 2013 were as follows:

<u>Primary Government</u>	<u>Bank Balance</u>
Insured (FDIC/NCUA)	\$ 3,828,852
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	<u>9,627,843</u>
Total deposits	<u><u>\$ 13,456,695</u></u>

The carrying amount of deposits on the December 31, 2013 statement of net position was \$14,407,012.

Investments – In general, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load fund administered by an investment company whose only investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated as its fiscal agent.

The amount reported as deposits and investments includes \$518,540 of the Landfill Fund which is being held in trust for the purpose of paying closure and postclosure costs relating to the City operated landfill. These assets are restricted as to use, and are not available to the City without prior approval of the State of South Dakota Department of Environment and Natural Resources. The amount reported as deposits and investments also includes \$1,779,025 of the various funds restricted for debt service and \$2,062,435 restricted for construction.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2013, the City's deposits in financial institutions were properly collateralized.

As of December 31, 2013, the City's investments include Goldman Sachs Financial Square Treasury Obligations Money Market Funds in the amount of \$1,781,151. All other investments are bank certificates of deposit of over 90 day maturity.

Custodial Credit Risk (Component Unit) – The Commission does not have a deposit policy for custodial risk. As of June 30, 2013, the Commission's deposits were fully insured or collateralized and were not exposed to custodial risk.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer.

Note 3 - Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the statement of net position:

<u>Restriction</u>	<u>Restricted By</u>	<u>Amount</u>
Storm Drainage Fund	State law	\$ 120,017
Library Fines Fund	State law	348,153
911 Purposes	State law	307,789
General Fund - SD Public Assurance Alliance	Contractual agreement	<u>247,374</u>
		<u><u>\$ 1,023,333</u></u>

Note 4 - Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

Note 5 - Inventory

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory in the proprietary funds is recorded as an asset when acquired. The consumption of inventories is charged to expense as it is consumed. Inventories are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-Wide Financial Statements

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current position.

Note 6 - Unavailable Revenue

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported unavailable revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. The City has two types of unavailable revenue, reported in the governmental funds balance sheet. The governmental funds report unavailable delinquent property tax revenues as well sales tax revenues not considered available as of year-end.

Note 7 - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

Note 8 - Changes in Capital Assets

A summary of changes in capital assets for the year ended December 31, 2013 follows:

Primary Government	Balance 01/01/13	Increases	Decreases	Balance 12/31/13
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,742,886	\$ -	\$ -	\$ 11,742,886
Total capital assets, not being depreciated	11,742,886	-	-	11,742,886
Capital assets, being depreciated:				
Buildings	17,302,616	8,110	-	17,310,726
Improvements other than buildings	39,021,239	2,148,386	-	41,169,625
Machinery and equipment	9,872,608	413,180	(188,209)	10,097,579
Total capital assets, being depreciated	66,196,463	2,569,676	(188,209)	68,577,930
Less accumulated depreciation for:				
Buildings	7,630,937	505,963	-	8,136,900
Improvements	18,056,237	985,500	-	19,041,737
Machinery and equipment	6,756,302	777,646	(153,311)	7,380,637
Total accumulated depreciation	32,443,476	2,269,109	(153,311)	34,559,274
Total capital assets, being depreciated, net	33,752,987	300,567	(34,898)	34,018,656
Governmental activity capital assets, net	\$ 45,495,873	\$ 300,567	\$ (34,898)	\$ 45,761,542
Depreciation expense was charged to functions as follows:				
Governmental activities:				
General government				\$ 125,080
Public safety				369,720
Public works				1,032,395
Health and welfare				5,485
Culture and recreation				736,429
Total depreciation expense - governmental activities				\$ 2,269,109

City of Pierre
Notes to Financial Statements
December 31, 2013

<u>Primary Government</u>	<u>Balance 01/01/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/13</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,704,764	\$ 78,418	\$ (1,927)	\$ 2,781,255
Construction in progress	2,258,463	8,686,408	(9,407,203)	1,537,668
Total capital assets, not being depreciated	4,963,227	8,764,826	(9,409,130)	4,318,923
Capital assets, being depreciated:				
Buildings	42,703,577	394,925	(405,370)	42,693,132
Improvements other than buildings	49,069,001	10,633,340	(415,390)	59,286,951
Machinery and equipment	8,258,571	2,715,827	(42,455)	10,931,943
Total capital assets, being depreciated	100,031,149	13,744,092	(863,215)	112,912,026
Less accumulated depreciation for:				
Buildings	12,857,278	1,443,713	(354,455)	13,946,536
Improvements	18,486,867	1,316,652	(191,221)	19,612,298
Machinery and equipment	4,978,886	647,666	(46,240)	5,580,312
Total accumulated depreciation	36,323,031	3,408,031	(591,916)	39,139,146
Total capital assets, being depreciated, net	63,708,118	10,336,061	(271,299)	73,772,880
Business-type activity capital assets, net	<u>\$ 68,671,345</u>	<u>\$ 19,100,887</u>	<u>\$ (9,680,429)</u>	<u>\$ 78,091,803</u>
Depreciation expense was charged to functions as follows:				
Business-type activities:				
Water				\$ 370,278
Electric				625,707
Waster water				736,185
Airport				1,386,782
Garbage				12,394
Landfill				276,685
Total depreciation expense - business-type activities				<u>\$ 3,408,031</u>

The City has active construction projects as of December 31, 2013. At year end, the City's commitment with contractors is as follows:

	<u>Project Authorization</u>	<u>Expended Through 12/31/2013</u>	<u>Committed</u>
Electrical Fund - Evans Substation	<u>\$ 12,500,000</u>	<u>\$ 11,069,732</u>	<u>\$ 1,430,268</u>

Note 9 - Changes in Component Unit Capital Assets

A summary of changes in component unit capital assets for the year ended June 30, 2013 is as follows:

Primary Government	Balance 07/01/12	Increases	Decreases	Balance 06/30/13
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 80,645	\$ -	\$ -	\$ 80,645
Construction work in progress	-	6,787	-	6,787
Total capital assets, not being depreciated	80,645	6,787	-	87,432
Capital assets, being depreciated:				
Buildings and improvements	2,419,004	76,526	-	2,495,530
Furniture and equipment	202,439	1,000	-	203,439
Total capital assets, being depreciated	2,621,443	77,526	-	2,698,969
Less accumulated depreciation for:				
Buildings and improvements	1,878,233	64,468	-	1,942,701
Furniture and equipment	130,584	14,751	-	145,335
Total accumulated depreciation	2,008,817	79,219	-	2,088,036
Total capital assets, being depreciated, net	612,626	(1,693)	-	610,933
Governmental activity capital assets, net	\$ 693,271	\$ 5,094	\$ -	\$ 698,365

Note 10 - Long-Term Debt

A summary of changes in long-term debt follows:

Primary Government	January 1, 2013	Increases	Decreases	December 31, 2013	Due Within One Year	Interest Paid
Governmental activities:						
Bonds payable:						
Revenue	\$ 8,009,246	\$ -	\$ (1,050,712)	\$ 6,958,534	\$ 1,131,366	\$ 290,047
Financing (capital acquisition leases)	361,568	-	(94,550)	267,018	267,018	18,119
Total debt	8,370,814	-	(1,145,262)	7,225,552	1,398,384	308,166
Accrued compensated absences	694,747	65,349	-	760,096	760,096	-
OPEB	235,675	127,211	(159,758)	203,128	-	-
Total government activities	9,301,236	192,560	(1,305,020)	8,188,776	2,158,480	308,166
Business-type activities:						
Bonds payable:						
Revenue	20,725,155	-	(1,123,337)	19,601,818	1,145,194	1,005,289
Accrued compensated absences	310,783	18,408	-	329,191	329,191	-
Total business-type activities	21,035,938	18,408	(1,123,337)	19,931,009	1,474,385	1,005,289
Total primary government	\$ 30,337,174	\$ 210,968	\$ (2,428,357)	\$ 28,119,785	\$ 3,632,865	\$ 1,313,455
Component Unit	July 1, 2012	Increases	Decreases	June 30, 2013	Due Within One Year	Interest Paid
Accrued compensated absences	\$ 6,835	\$ 192	\$ -	\$ 7,027	\$ 3,712	\$ -

Debt payable at December 31, 2013 is comprised of the following:

Government Activity Debt

Revenue Bonds

2010 Tax Increment Revenue Bond for TIF District No. 6 Loan, payable by a Debt Service Fund. Terms call for semi-annual payments of approximately \$80,000 at 4.8% interest, matures 2026.	\$ 1,500,000
2009 Tax Increment Revenue Bond for TIF District No. 5 Loan, payable by a Debt Service Fund. Terms are for semi-annual payments of approximately \$37,000 at 4.8% interest, matures 2023.	597,659
2008 Tax Increment Revenue Bond for TIF District No. 4 Loan, payable by a debt service fund. Terms are for semi-annual payments at 6.125% interest, matures 2024.	145,442
State Revolving Fund - Solid Waste Landfill and Baler, matures December 31, 2023, 3% interest rate, payments to be financed from the Capital Improvement Fund.	344,339
2009 Regional Landfill Assistance Loan, payable by capital improvement fund, due in semi-annual installments of \$23,814, including 2.5% interest, matures June 1, 2017.	158,664
State Revolving Loan Fund for landfill remediation. Terms are quarterly payments of \$10,685, including 3.25% interest until April 15, 2031; payment to be financed by the capital improvement fund.	568,731
State Revolving Fund Loan for the development of a landfill, matures June 30, 2025, 4.5% interest rate, payment to be financed from the Capital Improvement Fund.	761,181
State Revolving Fund Loan for landfill containment/replacement, terms are one payment of interest only of \$4,823 and 13 semi-annual payments of \$35,318, including 2.25% interest until December 1, 2019. Payment to be financed by Capital Improvement Fund.	402,518
2005 Refunding Certificates of Participation, interest rates of 3.25%-4.25%, depending on length to maturity of individual certificates, matures July 1, 2019, payment to be financed by the Capital Improvement Fund. These certificates were refunded in July 2014, at a coupon rate of 2.5% and a final maturity of July 1, 2018.	<u>2,480,000</u>
Total revenue debt	<u>6,958,534</u>

Financing (Capital Acquisition) Leases

Golf Club House, due in annual installments of \$47,474, including 5.5% interest, matures July 1, 2020, payments to be made by the General Fund. Paid in full in July 2014. 267,018

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$ 356,000
Interest	<u>110,738</u>
	<u><u>\$ 466,738</u></u>

The principal amount of the above lease was included in the appropriate classification of capital assets and is being depreciated over the estimated useful life of the asset.

Total capital leases 267,018

Compensated Absences

The liability for compensated absences represents leave benefits earned as of December 31, 2013:

Annual leave	406,677
Sick leave	324,267
Comp leave	<u>29,152</u>

Total 760,096

Other post employment benefits 203,128

Total governmental activity debt 8,188,776

Business-Activity Debt

Revenue Bonds

Drinking Water State Revolving Fund Loan (1), matures January 1, 2018, 3.5% interest rate, payment to be financed from the Water Fund. 333,088

Drinking Water State Revolving Fund Loan (2), matures September 30, 2020, 3.5% interest rate, payment to be financed from the Water Fund. 943,730

Waste Water Revenue Refunding Bonds, Series 2010B, matures January 1, 2021, 5%-2.9% interest rate, payment to be financed from Waste Water Fund. 5,095,000

Electric Revenue Bonds, Series 2010C, (Recovery Zone Economic Development Bonds). Proceeds will be used for a new electric substation, matures December 15, 2040, 6% interest rate with a 45% federal credit, payments to be made by the Electric Fund. 13,230,000

Total revenue bonds 19,601,818

Compensated Absences	
Compensated absences of enterprise:	
Employees:	
Annual leave	177,695
Sick leave	138,698
Comp leave	12,798
	<u>329,191</u>
Total compensated absences	<u>329,191</u>
Total business-type activities	<u>19,931,009</u>
Grand Total, Primary Government	<u><u>\$ 28,119,785</u></u>

The annual requirements to amortize all debt outstanding as of December 31, 2013 excluding compensated absences and other post-employment benefits are as follows:

Governmental Activities

Year Ending December 31	Revenue		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,131,366	\$ 234,323	\$ 267,018	\$ 13,419	\$ 1,398,384	\$ 247,742
2015	800,139	192,518	-	-	800,139	192,518
2016	822,467	170,550	-	-	822,467	170,550
2017	825,313	144,260	-	-	825,313	144,260
2018	846,322	118,323	-	-	846,322	118,323
2019-2023	1,696,212	347,420	-	-	1,696,212	347,420
2024-2028	734,487	66,578	-	-	734,487	66,578
2029-2032	102,228	4,623	-	-	102,228	4,623
	<u>\$ 6,958,534</u>	<u>\$ 1,278,595</u>	<u>\$ 267,018</u>	<u>\$ 13,419</u>	<u>\$ 7,225,552</u>	<u>\$ 1,292,014</u>

Business-Type Activities

Year Ending December 31	Revenue	
	Principal	Interest
2014	\$ 1,145,194	\$ 924,496
2015	1,172,293	902,922
2016	1,194,644	879,121
2017	1,222,256	853,946
2018	1,191,062	826,672
2019-2023	4,101,369	3,719,681
2024-2028	2,225,000	3,115,214
2029-2033	2,645,000	2,348,210
2034-2038	3,225,000	1,297,540
2039-2042	1,480,000	167,625
	<u>\$ 19,601,818</u>	<u>\$ 15,035,427</u>

In November of 2013, the City issued \$5,500,000 of Sales Tax Revenue Refunding Bonds with an interest rate of 3% and a maturity in November 2023. The purpose of the bonds is to provide funds to pay for the costs associated with developing a retail site with the purpose of recruiting businesses to the proposed site. The proceeds will pay for road, grading, and other fees relating to this project. As of December 31, 2013, no advances from the bonds were outstanding. As of February 19, 2015, the City had \$2,211,687 drawn on the bonds.

Note 11 - Interfund Balances and Transfers

Individual fund receivable / payable balances at December 31, 2013 are as follows:

	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	\$ 481,131	\$ -
Capital Improvement Fund	551,440	83,482
Water Fund	83,482	52,049
Electric Fund	25,654	-
Waste Water Fund	-	16,533
Airport Fund	-	963,104
Non-major Funds:		
Garbage Fund	-	41,140
Landfill Fund	41,325	-
Internal Service	-	26,724
	<u>\$ 1,183,032</u>	<u>\$ 1,183,032</u>

The reasons for the interfund balances at December 31, 2013 related to the allocation of costs between funds at year end (\$193,202) and short-term interfund loans (\$989,830) at year end. The City expects all interfund balances to be repaid within one year.

Transfers for 2013 were as follows:

Fund	Transfers In	Transfers Out
General	\$ 1,337,326	\$ 230,585
Special revenue funds:		
Capital improvement	-	452,805
E-911	202,805	-
Police pistol range	801	-
Enterprise funds:		
Water	349,418	-
Electric	-	1,686,744
Airport	139,159	-
Garbage	16,578	-
Landfill	324,047	-
	<u>\$ 2,370,134</u>	<u>\$ 2,370,134</u>

The reasons for the 2013 transfers were as follows:

To subsidize operations	\$ 2,370,134
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Note 12 - Retirement Plan

All employees, except for part-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P. O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

General employees are required by the state statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution.

State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2013, 2012 and 2011 were \$472,648, \$426,778 and \$459,822, respectively, equal to the required contributions each year.

Note 13 - Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2013, the City managed its risks as follows:

Employee Health Insurance

The City has established a group health self-insurance fund to pay for medical claims of city employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$40,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding this amount are covered through a private insurance carrier, up to a specific annual maximum of \$2,000,000 per member. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan.

Changes in the amount of claims liabilities in the last three years were as follows:

	Balance at January 1	Claims and Changes in Estimates	Claim Payments	Balance at December 31
2013	\$ 256,331	\$ 1,681,358	\$ 1,707,110	\$ 230,579
2012	345,670	1,214,580	1,303,919	256,331
2011	177,123	2,524,628	2,356,081	345,670

Workmen's Compensation

The City joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$900,000 of any claim per individual. The pool has reinsurance which covers up to \$2,000,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Liability

The City joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for automobile and general liability.

The agreement with the South Dakota Public Assurance Alliance provided that the above coverage's will be provided to a \$3,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The City carries a \$1,000 deductible for the automobile coverage and \$1,000 deductible for the general liability.

A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's first full year	50%
End of City's second full year	60%
End of City's third full year	70%
End of City's fourth full year	80%
End of City's fifth full year	90%
End of City's sixth full year and thereafter	100%

As of December 31, 2013, the City has vested balance in the cumulative reserve fund of \$247,374.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage for the past several years.

Unemployment Benefits

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Component Unit

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2013, the Commission managed its risks by purchasing liability insurance from a commercial carrier for risks related to torts, theft or damage of property, and errors and omissions; health insurance from a commercial insurance carrier; and liability insurance for workmen's compensation. The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 14 - Closure and Post-Closure Care Cost

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The \$547,538 reported as landfill closure and postclosure care liability at December 31, 2013, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the old landfill which was closed in 2003 and 4.39% of the new landfill which opened in 2003. The City will recognize the remaining estimated cost of closure and postclosure care of approximately \$6.86 million for the operating landfill as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. The closure and postclosure costs have been calculated using a closure period when the largest amount of landfill would be open and require the most costly closure activity. This conservative approach assumes a closure date of 2072. The ultimate capacity of the landfill is expected to be reached sometime after 2150. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State and Federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements, and at December 31, 2013, the City had contributed \$518,540 to this trust. The City expects that any future inflation costs will be paid from earnings on these investments and future contributions. However, if investment earnings are inadequate or additional closure or postclosure care requirements are determined (due to changes in technology or applicable laws or regulations); these costs may need to be covered by charges to future users of the solid waste system or from future non-ad valorem assessments.

Note 15 - Post Employment Benefits

Plan Description

The City's Postemployment Health Care Plan is a single-employer defined benefit healthcare plan which provides medical benefits to eligible retirees and their spouses. The Plan is authorized by SDCL 9-14-35 and SDCL 6-1-16 and is administered by the City. The Plan does not issue a stand-alone financial report.

Funding Policy

The contributions of plan members and the City are established by City policy. The required contribution is based on projected "pay-as-you-go" financial requirements, with an additional amount to prefund benefits as determined annually by the City. For 2013 the required contribution to the Plan was \$127,211. Contributions made in 2013 were \$159,758, thus the City accrued a liability of \$203,128, as of December 31, 2013.

Annual OPEB cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the City's net OPEB obligation to the Plan.

	2013	2012	2011
Annual required contribution (ARC)	\$ 127,801	\$ 127,801	\$ 127,801
Interest on net OPEB obligation	10,682	9,992	8,283
Adjustment to ARC	<u>(11,272)</u>	<u>(11,272)</u>	<u>(11,272)</u>
Annual OPEB cost (expense)	127,211	126,521	124,812
Annual contribution made	<u>(159,758)</u>	<u>(112,884)</u>	<u>(86,840)</u>
Increase in net OPEB obligation	(32,547)	13,637	37,972
Net OPEB obligation, beginning of year	<u>235,675</u>	<u>222,038</u>	<u>184,066</u>
Net OPEB obligation, end of year	<u><u>\$ 203,128</u></u>	<u><u>\$ 235,675</u></u>	<u><u>\$ 222,038</u></u>
Percentage of annual OPEB cost contributed	126%	89%	70%

Funded Status

The Plan is on a "pay-as-you-go" basis; therefore it is not funded as of December 31, 2013.

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2013 actuarial valuation was compiled using the "projected unit credit" actuarial cost method. The assumptions included a 4.5% rate of return (net of administrative expenses) and an annual health-care cost trend of 9% initially, grading to 5% over 8 years. The amortization period of the unfunded liability is 30 years.

Note 16 - Significant Commitments

The City has long-term contracts for the purchase of electrical energy with the Western Area Power Administration and the Missouri Basin Municipal Power Agency. These contracts expire December 31, 2020 and January 1, 2030, respectively. According to the terms of the contracts, the City is obligated to purchase all of its electrical energy from these two sources. No minimum purchase requirements have been established in the contracts.

Note 17 - Deficit Fund Balances

The Special Tax Fund, a non major governmental fund, had a deficit fund balance at December 31, 2013 of (\$19,574). This deficit will be financed through future revenues of the fund.

Note 18 - Exposition Building

The City participates in a joint venture, known as Exposition Building, which is a joint operation between the City of Pierre, Fort Pierre, Stanley and Hughes Counties for the construction and operation of a multiple use exposition building located at the Stanley County Fairgrounds in Fort Pierre, South Dakota. The primary use of the facility during winter months will be for hockey and multiple uses during other times of the year. Construction was completed in 1999. Interest in the facility is as follows:

City of Pierre	35%
City of Fort Pierre	15%
Hughes County	35%
Standly County	15%

The City's interest in the facility as of December 31, 2013 is reported as a capital asset. Hughes County is acting in the capacity of fiscal agent. Financial information for the joint operation is available from the Hughes County Finance Officer.

The joint operations governing board is composed of four representatives, one from each participating entity. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget. Each member contributes to the annual operating budget of the Exposition Building. The City contributed \$6,121 during 2013. At December 31, 2013, this joint operation had total cash of \$92,441, of which the City deposits 35%, or \$32,354.

Note 19 - Pledged Revenues

The City has pledged future water customers' revenues, net of specified operating expenses, to repay \$1,276,818 in water system revenue bonds issued in 2002 and 2006. Proceeds from the bonds provided financing for the construction of water system infrastructure.

The bonds are payable solely from water customer net revenues and are payable through 2020. Annual principal and interest payments on the bonds are expected to require less than 70% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,423,625. Principal and interest paid for the current year and total customer net revenue were \$242,274 and \$1,063,227, respectively.

The City has, also, pledged future electric customers' revenues, net of specified operating expenses, to repay \$13,230,000 in electric fund revenue bonds issued in 2010. Proceeds from the bonds provided financing for the construction of electrical infrastructure.

The bonds are payable solely from electric customer net revenues and are payable through 2040. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$27,825,493. Principal and interest paid for the current year and total customer net revenue were \$1,159,253 and \$4,355,728, respectively.

The City has, also, pledged future sewer customers' revenues, net of specified operating expenses, to repay \$5,095,000 in waste water fund revenue bonds issued in 2010. The bonds were used to refinance bonds issued in 1996 and 2009. Proceeds from the refinanced bonds provided financing for the construction of sewer infrastructure.

The bonds are payable solely from waste water customer net revenues and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$5,388,126. Principal and interest paid for the current year and total customer net revenue were \$727,100 and \$1,446,347, respectively.

Note 20 - Adoption of New Accounting Standard

In March, 2012 GASB issued Statement No. 65 "Item Previously Reported as Assets and Liabilities." Statement 65 is effective for financial statements for periods beginning after December 15, 2012. The City has adopted GASB 65 starting with the year ended December 31, 2013. The provisions were applied retroactively to the beginning January 1, 2013 net position. GASB 65 requires the debt issuance costs to be recognized as an expense in the period incurred, not deferred and amortized over the life of the debt, as was previously done. GASB 65 also required the term "deferred" to be used only in conjunction with deferred outflows and deferred inflows of resources that are specified by GASB. To date, the only deferred inflows of resources that are applicable to the City are specified in GASB Statement No. 65.

The retroactive application of the standard has resulted in a cumulative adjustment to the opening balance as a decrease of net position as of January 1, 2013 of \$57,964 for the government-wide governmental balances, \$207,261 for the enterprise net position on the government wide financial statements, and \$207,261 for the electric fund on the proprietary financial statements to account for deferred debt issuance costs which are now expensed.



Required Supplementary Information
December 31, 2013

City of Pierre

OPEB Health Insurance Plan

Status of Funding Progress

	Valuation Date	
	January 1, 2011	January 1, 2008
Actuarial Accrued Liability	\$ 1,132,200	\$ 1,135,494
Actuarial Value of Plan Assets	-	-
Actuarial Accrued Liability (AAL)	1,132,200	1,135,494
Ratio	0%	0%
Payroll (Active Plan Members)	6,069,643	5,369,574
Percentage of Covered Payroll	18.7%	17.6%

This fund has only been evaluated twice as of January 1, 2011.

City of Pierre
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2013

	Budgetary Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues				
Taxes				
General property taxes	\$ 2,680,831	\$ 2,680,831	\$ 2,654,311	\$ (26,520)
General sales and use taxes	3,425,500	3,425,500	3,505,429	79,929
Penalties and interest on delinquent taxes	1,000	1,000	4,906	3,906
Licenses and permits	212,985	212,985	212,185	(800)
Intergovernmental revenue				
Federal grants	336,706	336,706	733,081	396,375
State grants	1,000	1,000	112,108	111,108
State shared revenue	473,600	473,600	566,864	93,264
County shared revenue	22,000	22,000	17,816	(4,184)
Other intergovernmental revenue	92,500	92,500	-	(92,500)
Charge for goods and services				
General government	1,524,232	1,524,232	1,564,794	40,562
Public safety	52,500	52,500	44,339	(8,161)
Health	3,000	3,000	-	(3,000)
Culture and recreation	625,700	625,700	592,302	(33,398)
Cemetery	30,000	30,000	37,437	7,437
Fines and forfeits				
Court fines and costs	4,000	4,000	5,548	1,548
Parking meter fines	6,000	6,000	7,050	1,050
Miscellaneous revenue				
Investment earnings	5,000	5,000	7,113	2,113
Rentals	19,000	19,000	35,609	16,609
Contributions from private sources	26,000	26,000	107,885	81,885
Other	105,530	105,530	155,832	50,302
Total revenues	9,647,084	9,647,084	10,364,609	717,525

City of Pierre
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2013

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General government				
Legislative	206,110	211,920	190,639	21,281
Contingency	250,000	195,000		
Amount transferred			-	195,000
Elections	4,100	5,160	5,155	5
Financial administration	1,650,781	1,715,781	1,587,729	128,052
Other	1,614,681	1,747,681	1,745,262	2,419
Public safety				
Police	2,325,867	2,515,867	2,360,302	155,565
Fire	389,274	389,274	309,246	80,028
Public works				
Highways and streets	1,559,099	1,584,099	1,511,120	72,979
Cemeteries	245,052	245,052	216,280	28,772
Health and welfare				
Health	61,400	61,400	46,419	14,981
Culture and recreation				
Recreation	522,798	553,802	540,403	13,399
Parks	2,358,279	2,476,624	2,109,520	367,104
Libraries	762,333	722,333	701,919	20,414
Auditorium	1,000	1,000	556	444
Conservation and development				
Economic development and assistance	373,669	373,669	298,505	75,164
Debt service	47,500	47,500	40,855	6,645
Intergovernmental	475,000	475,000	474,940	60
Total expenditures	12,846,943	13,321,162	12,138,850	1,182,312
Excess of Revenue over (under) Expenditures	(3,199,859)	(3,674,078)	(1,774,241)	1,899,837
Other Financing Sources (Uses)				
Transfers in	3,723,377	3,723,377	1,337,326	(2,386,051)
Sale of City property	7,500	7,500	52,361	44,861
Transfers out	(675,017)	(675,017)	(230,585)	444,432
Total other financing sources (uses)	3,055,860	3,055,860	1,159,102	(1,896,758)
Net Change in Fund Balances	(143,999)	(618,218)	(615,139)	3,079
Fund Balance - Beginning	3,428,479	3,428,479	3,428,479	-
Fund Balance - Ending	\$ 3,284,480	\$ 2,810,261	\$ 2,813,340	\$ 3,079

City of Pierre
Budgetary Comparison Schedule—Capital Improvement Fund
Year Ended December 31, 2013

	Budgetary Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Taxes				
General sales and use taxes	\$ 3,425,500	\$ 3,425,500	\$ 3,505,429	\$ 79,929
Intergovernmental revenue				
Federal grants	190,000	190,000	16,166	(173,834)
State grants	50,000	50,000	-	(50,000)
Charge for goods and services				
Fees	196,517	196,517	-	(196,517)
Miscellaneous revenue				
Special assessments	50,000	50,000	21,552	(28,448)
Investment earnings	10,000	10,000	2,008	(7,992)
Total revenues	<u>3,922,017</u>	<u>3,922,017</u>	<u>3,545,155</u>	<u>(376,862)</u>
Expenditures				
Public safety				
Fire	351,000	351,000	77,300	273,700
Public works				
Highways and streets	2,015,484	2,134,614	1,873,303	261,311
Sanitation	250,000	250,000	-	250,000
Health and welfare				
Ambulance	80,000	80,000	80,000	-
Culture and recreation				
Recreation	750	750	750	-
Parks	750	146,750	116,917	29,833
Library	-	123,001	9,888	113,113
Debt service	<u>771,000</u>	<u>816,400</u>	<u>815,559</u>	<u>841</u>
Total expenditures	<u>3,468,984</u>	<u>3,902,515</u>	<u>2,973,717</u>	<u>928,798</u>
Excess of Revenue over (under) Expenditures	<u>453,033</u>	<u>19,502</u>	<u>571,438</u>	<u>551,936</u>
Other Financing Sources (Uses)				
Transfers out	<u>(803,033)</u>	<u>(358,373)</u>	<u>(452,805)</u>	<u>(94,432)</u>
Total other financing sources (uses)	<u>(803,033)</u>	<u>(358,373)</u>	<u>(452,805)</u>	<u>(94,432)</u>
Net Change in Fund Balances	<u>(350,000)</u>	<u>(338,871)</u>	<u>118,633</u>	<u>457,504</u>
Fund Balance - Beginning	<u>1,101,019</u>	<u>1,101,019</u>	<u>1,101,019</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 751,019</u>	<u>\$ 762,148</u>	<u>\$ 1,219,652</u>	<u>\$ 457,504</u>

Note 1 - Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Note 2 - Budgets and Budgetary Accounting

The City is reporting financial position, results of operations, and changes in fund balances in conformity with GAAP while the Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the GAAP basis is that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes and intergovernmental expenditures are eliminated for GAAP purposes but are included in budgetary basis. Also certain grants that the State of South Dakota administers on the City's behalf whereby the State pays vendors directly are excluded from these schedules as the City does not budget for those expenses as they do not pay the vendors directly in these instances.



Supplementary Information
December 31, 2013
City of Pierre

City of Pierre
Combining Balance Sheet – Nonmajor Governmental Funds
December 31, 2013

	Special Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Public/Education Government Channel Fund	Special Recreation Fund	Cities of Service Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
Assets											
Cash and cash equivalents	\$ 209,786	\$ 252,769	\$ 46,836	\$ 6,078	\$ 57,155	\$ 3,780	\$ -	\$ -	\$ 103,266	\$ -	679,670
151 Investments	-	-	301,317	-	-	-	-	-	-	-	301,317
115 Accounts receivable, net	-	53,856	-	-	13,239	-	-	-	15,467	-	82,562
117 Unbilled accounts receivable	-	-	-	-	-	-	-	-	14,845	-	14,845
132 Due from federal/state/county government	52,015	6,538	-	-	-	-	-	-	-	-	58,553
107.1 Restricted cash and cash equivalents	-	-	-	-	-	-	-	54,464	-	-	54,464
	<u>\$ 261,801</u>	<u>\$ 313,163</u>	<u>\$ 348,153</u>	<u>\$ 6,078</u>	<u>\$ 70,394</u>	<u>\$ 3,780</u>	<u>\$ -</u>	<u>\$ 54,464</u>	<u>\$ 133,578</u>	<u>\$ -</u>	<u>\$ 1,191,411</u>
Liabilities and Fund Balances											
Liabilities											
202 Accounts payable	\$ 263,451	\$ 5,374	\$ -	\$ 319	\$ 7,380	\$ -	\$ -	\$ -	\$ 13,263	\$ -	\$ 289,787
223 Revenue collected in advance	-	-	-	-	-	-	-	-	299	-	299
Total liabilities	<u>263,451</u>	<u>5,374</u>	<u>-</u>	<u>319</u>	<u>7,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,562</u>	<u>-</u>	<u>290,086</u>
Deferred Inflows of Resources											
247 Unavailable revenues	<u>17,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,924</u>
Fund Balances											
264 Restricted	-	307,789	348,153	-	-	-	-	54,464	120,016	-	830,422
265 Committed	-	-	-	5,759	63,014	3,780	-	-	-	-	72,553
267 Unassigned	<u>(19,574)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,574)</u>
Total fund balances	<u>(19,574)</u>	<u>307,789</u>	<u>348,153</u>	<u>5,759</u>	<u>63,014</u>	<u>3,780</u>	<u>-</u>	<u>54,464</u>	<u>120,016</u>	<u>-</u>	<u>883,401</u>
	<u>\$ 261,801</u>	<u>\$ 313,163</u>	<u>\$ 348,153</u>	<u>\$ 6,078</u>	<u>\$ 70,394</u>	<u>\$ 3,780</u>	<u>\$ -</u>	<u>\$ 54,464</u>	<u>\$ 133,578</u>	<u>\$ -</u>	<u>\$ 1,191,411</u>

City of Pierre

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended December 31, 2013

	Special Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Public/Education Government Channel Fund	Special Recreation Fund	Cities of Service Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
Revenues											
310 Taxes:											
311 General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,673	\$ 168,673
313 General sales and use taxes	501,211	-	-	-	-	-	-	-	-	-	501,211
316 911 Telephone surcharge	-	280,266	-	-	-	-	-	-	-	-	280,266
330 Intergovernmental revenue:											
338 County shared revenue:											
338.99 Other	-	-	-	-	141,139	-	25,000	-	-	-	166,139
340 Charges for goods and services:											
341 General government	-	-	-	-	50,251	-	-	-	-	-	50,251
342 Public safety	-	129,018	-	1,800	-	-	-	-	-	-	130,818
343 Highways and streets	-	-	-	-	-	-	-	-	316,805	-	316,805
346 Culture and recreation	-	-	5,643	-	-	-	-	-	-	-	5,643
350 Fines and forfeits:											
354 Library	-	-	21	-	-	-	-	-	-	-	21
360 Miscellaneous revenue:											
361 Investment earnings	1,290	609	1,223	-	-	-	-	-	879	-	4,001
367 Contributions and donations from private sources	-	-	979	-	-	-	-	-	-	-	979
369 Other	-	1,647	-	-	-	-	-	-	-	-	1,647
Total revenues	502,501	411,540	7,866	1,800	191,390	-	25,000	-	317,684	168,673	1,626,454

City of Pierre

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended December 31, 2013

	Special Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Public/Education Government Channel Fund	Special Recreation Fund	Cities of Service Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
Expenditures											
410 General government:											
419 Other	-	-	-	-	124,816	-	-	-	-	-	124,816
Total general government	-	-	-	-	124,816	-	-	-	-	-	124,816
420 Public safety:											
421 Police	-	567,249	-	3,724	-	-	-	-	-	-	570,973
Total public safety	-	567,249	-	3,724	-	-	-	-	-	-	570,973
430 Public works:											
431 Highways and streets	-	-	-	-	-	-	-	-	602,841	-	602,841
Total public works	-	-	-	-	-	-	-	-	602,841	-	602,841
450 Culture and recreation:											
451 Recreation	-	-	-	-	-	-	29,900	-	-	-	29,900
455 Libraries	-	-	(396)	-	-	-	-	-	-	-	(396)
Total culture and recreation	-	-	(396)	-	-	-	29,900	-	-	-	29,504
460 Conservation and development:											
465 Economic development and assistance (industrial development)	946,091	-	-	-	-	-	-	-	-	-	946,091
Total conservation and development	946,091	-	-	-	-	-	-	-	-	-	946,091
470 Debt service	421,235	-	-	-	-	-	-	-	-	168,673	589,908
485 Capital outlay	-	-	-	-	14,179	-	-	-	66,915	-	81,094
Total expenditures	1,367,326	567,249	(396)	3,724	138,995	-	29,900	-	669,756	168,673	2,945,227
Excess of revenue over (under) expenditures	(864,825)	(155,709)	8,262	(1,924)	52,395	-	(4,900)	-	(352,072)	-	(1,318,773)
Other Financing Sources (Uses)											
391.01 Transfers in	-	202,805	-	801	-	-	-	-	-	-	203,606
Total other financing sources (uses)	-	202,805	-	801	-	-	-	-	-	-	203,606
Net Change in Fund Balances	(864,825)	47,096	8,262	(1,123)	52,395	-	(4,900)	-	(352,072)	-	(1,115,167)
Fund Balance - Beginning	845,251	260,693	339,891	6,882	10,619	3,780	4,900	54,464	472,088	-	1,998,568
Fund Balance - Ending	\$ (19,574)	\$ 307,789	\$ 348,153	\$ 5,759	\$ 63,014	\$ 3,780	\$ -	\$ 54,464	\$ 120,016	\$ -	\$ 883,401

City of Pierre
Combining Balance Sheet – Nonmajor Enterprise Funds
December 31, 2013

	Enterprise Funds		
	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 55,272	\$ 931,915	\$ 987,187
115 Accounts receivable, net	-	119,627	119,627
Unbilled accounts receivable	-	4,587	4,587
Inventory of supplies	-	107,936	107,936
Inventory of stores purchased for resale	12,690	-	12,690
Total current assets	67,962	1,164,065	1,232,027
Noncurrent Assets			
Restricted cash and cash equivalents	-	518,540	518,540
Capital assets:			
160 Land	-	2,408,898	2,408,898
162 Buildings	-	2,966,782	2,966,782
164 Improvements other than buildings	-	264,926	264,926
166 Machinery and equipment	123,940	2,495,695	2,619,635
Less accumulated depreciation	(54,270)	(2,326,693)	(2,380,963)
Total noncurrent assets	69,670	6,328,148	6,397,818
	\$ 137,632	\$ 7,492,213	\$ 7,629,845
Liabilities			
Current Liabilities			
202 Accounts payable	\$ 1,752	\$ 126,542	\$ 128,294
Accrued taxes payable	485	2,461	2,946
Due to (from) other funds	41,140	(41,325)	(185)
Revenue collected in advance	-	109	109
Total current liabilities	43,377	87,787	131,164
Noncurrent Liabilities			
233 Accrued leave payable	15,272	74,625	89,897
235 Accrued Landfill Closure and Postclosure Care Costs	-	547,538	547,538
Total noncurrent liabilities	15,272	622,163	637,435
Net Position			
253.10 Invested in capital assets, net of related debt	69,670	5,809,608	5,879,278
253.90 Unrestricted net position	9,313	972,655	981,968
Total net position	78,983	6,782,263	6,861,246
	\$ 137,632	\$ 7,492,213	\$ 7,629,845

City of Pierre

Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds
Year Ended December 31, 2013

	Enterprise Funds		
	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
Operating Revenue			
380 Charges for goods and services	\$ 80,376	\$ 1,251,071	\$ 1,331,447
Revenue dedicated to servicing debt			
369 Miscellaneous	-	24	24
Total operating revenue	80,376	1,251,095	1,331,471
Operating Expenses			
410 Personal services	71,513	558,126	629,639
420 Other current expenses	90,017	548,208	638,225
426.2 Materials (Cost of goods sold)	13,553	264,302	277,855
457 Depreciation	12,394	276,685	289,079
Total operating expenses	187,477	1,647,321	1,834,798
Operating Loss	(107,101)	(396,226)	(503,327)
Nonoperating Revenue			
361 Investment earnings	171	3,443	3,614
362 Rental revenue	-	1,657	1,657
(492) 366 Gain (loss) on disposition of assets	-	28,774	28,774
Total nonoperating revenue (expense)	171	33,874	34,045
Loss Before Contributions and Transfers	(106,930)	(362,352)	(469,282)
391.1 Transfers in	16,578	324,047	340,625
Change in Net Position	(90,352)	(38,305)	(128,657)
Net Position - Beginning	169,335	6,820,568	6,989,903
Net Position - Ending	\$ 78,983	\$ 6,782,263	\$ 6,861,246

City of Pierre
Combining Statement of Cash Flows – Nonmajor Enterprise Funds
Year Ended December 31, 2013

	Enterprise Funds		
	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
Cash Flows from (used for) Operating Activities			
Receipt from customers	\$ 80,376	\$ 1,202,833	\$ 1,283,209
Payments to suppliers	(97,418)	(594,992)	(692,410)
Payments to employees	(64,045)	(551,476)	(615,521)
Net Cash from (used for) Operating Activities	(81,087)	56,365	(24,722)
Cash Flows from Noncapital Financing Activities			
Transfers (to) from other funds	41,139	(41,325)	(186)
Transfers from other funds	16,578	324,047	340,625
Net Cash from Noncapital Financing Activities	57,717	282,722	340,439
Cash Flows used for Capital and Related Financing Activities			
Other receipts	-	30,431	30,431
Purchase of capital assets	-	(218,048)	(218,048)
Net Cash used for Capital and Related Financing Activities	-	(187,617)	(187,617)
Cash Flows from (used for) Investing Activities			
Cash invested in reserve account	-	(26,910)	(26,910)
Cash received for interest	171	3,443	3,614
Net Cash from (used for) Investing Activities	171	(23,467)	(23,296)
Net Change in Cash and Cash Equivalents	(23,199)	128,003	104,804
Balance - Beginning	78,471	803,912	882,383
Balance - Ending	\$ 55,272	\$ 931,915	\$ 987,187
Reconciliation of Operating Loss to			
Net Cash from (used for) Operating Activities:			
Operating loss	\$ (107,101)	\$ (396,226)	\$ (503,327)
Adjustments to reconcile operating loss to			
net cash from (used for) operating activities:			
Depreciation expense	12,394	276,685	289,079
Changes in assets and liabilities:			
Receivables	-	(48,262)	(48,262)
Inventories	5,292	306	5,598
Accounts and other payables	860	105,989	106,849
Closure/Postclosure liability	-	111,223	111,223
Accrued leave payable	7,468	6,650	14,118
Net Cash from (used for) Operating Activities	\$ (81,087)	\$ 56,365	\$ (24,722)
Noncash Investing, Capital and Financing Activities:			
Loss on disposal of capital assets not affecting operating income	\$ -	\$ 28,774	\$ 28,774

City of Pierre
Statement of Cash Flows – Discretely Presented Component Unit
Year Ended June 30, 2013

	<u>Housing and Redevelopment Commission</u>
Operating Activities	
Receipts from tenant payments	\$ 118,338
Payments to tenants through escrow	550
Payments to employees	(166,229)
Payments to others for goods and services	(180,616)
Housing assistance payments	(488,045)
	<u>(716,002)</u>
Net Cash used for Operating Activities	
Noncapital Financing Activities	
Operating grants received	525,901
Other revenue received	2,886
	<u>528,787</u>
Net Cash from Noncapital Financing Activities	
Capital and Related Financing Activities	
Capital grants received	25,088
Insurance settlement received	61,809
Acquisition of capital assets	(84,313)
	<u>2,584</u>
Net Cash from Capital and Related Financing Activities	
Investing Activities	
Sales of certificates of deposit	23,999
Interest received	4,043
	<u>28,042</u>
Net Cash from Investing Activities	
Net Change in Cash and Cash Equivalents	(156,589)
Cash and Cash Equivalents Beginning of Year	<u>282,673</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 126,084</u></u>
Cash Consists of:	
Cash and cash equivalents	\$ 108,088
Restricted cash and cash equivalents	17,996
	<u><u>\$ 126,084</u></u>

City of Pierre
Statement of Cash Flows – Discretely Presented Component Unit
Year Ended June 30, 2013

	<u>Housing and Redevelopment Commission</u>
Reconciliation of Operating Loss to	
Net Cash used for Operating Activities:	
Operating loss	\$ (799,164)
Adjustments to reconcile operating loss to	
net cash used for operating activities:	
Depreciation	79,219
Change in assets and liabilities:	
Accounts receivable - tenants	(48)
Accounts receivable - fraud	(100)
Prepaid expenses	(5,128)
Inventories	(50)
Accounts payable	(875)
Accrued expenses	9,253
Accrued compensated absences	192
Prepaid rents	149
Tenant security deposits	550
	<u> </u>
Net Cash used for Operating Activities	<u><u>\$ (716,002)</u></u>

City of Pierre
Schedule of Expenditures of Passenger Facility Charges
Year Ended December 31, 2013

	Net Collected
First Quarter, 2013	\$ 14,593
Second Quarter, 2013	14,318
Third Quarter, 2013	17,851
Fourth Quarter, 2013	<u>12,489</u>
Total PFC Collections for 2013	59,251
Total PFC Collections for 2012	50,094
Total PFC Collections for 2011	64,728
Total PFC Collections for 2010	59,124
Total PFC Collections for 2009	43,809
Total PFC Collections for 2008	53,314
Total PFC Collections for 2007	46,383
Total PFC Collections for 2006	57,317
Total PFC Collections for 2005	67,975
Total PFC Collections for 2004	72,726
Total PFC Collections for 2003	<u>51,697</u>
Total PFC Collections for 2003 - 2013	<u><u>\$ 626,418</u></u>
Total Allowable PFC	\$ 788,346
Net Collections to Date	<u>(626,418)</u>
Remaining Amount to Collect	<u><u>\$ 161,928</u></u>



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

The City Commission
City of Pierre
Pierre, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pierre (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Pierre's basic financial statements, and have issued our report thereon dated February 19, 2015. Our report includes a reference to other auditors who audited the financial statements of the Housing and Redevelopment Commission of the City of Pierre, as described in our report on City of Pierre's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-A, 2013-B, and 2013-C to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-D, 2013-E and 2013-F to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Pierre's Response to Findings

City of Pierre's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
February 19, 2015



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

The City Commission
City of Pierre
Pierre, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Pierre's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City of Pierre's basic financial statements include the operations of the Housing and Redevelopment Commission of the City of Pierre, a discretely presented component unit, which received \$547,608 in federal awards during the year ended June 30, 2013 which is not included in the City of Pierre's schedule of federal expenditures for the year ended December 31, 2013. Our audit, described below, did not include the operations of the Housing and Redevelopment Commission of the City of Pierre because the Commission engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pierre's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of the City of Pierre is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Pierre's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
February 19, 2015

City of Pierre
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Department of Homeland Security			
Indirect Federal Funding:			
SD Department of Public Safety Office of Emergency			
Disaster Grants - Public Assistance (Presidentially			
Declared Disasters)	97.036	various	\$ 620,482
Homeland Security Grant Program	97.067	*****	<u>48,329</u>
Total Department of Homeland Security			<u>668,811</u>
Department of Transportation			
Direct Federal Funding:			
Airport Improvement Program (3-46-0044-27, 30, 31, 32)	20.106	N/A	<u>1,689,307</u>
Indirect Federal Funding:			
Highway Safety Cluster			
SD Department of Public Safety			
State and Community Highway Safety	20.600	*****	23,361
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	*****	<u>7,753</u>
Total Highway Safety Cluster			<u>31,114</u>
Highway Planning and Construction Cluster			
SD Department of Transportation			
Highway Planning and Construction	20.205	713835 & 714632	<u>1,509,747</u>
Total Highway Planning and Construction Cluster			<u>1,509,747</u>
Total Department of Transportation			<u>3,230,168</u>
Department of Health and Human Services			
Indirect Federal Funding:			
SD Department of Health			
Community Transformation Grants and National Dissemination			
and Support for Community Transformation Grants- PPHF	93.531	*****	<u>14,000</u>
Department of the Interior			
Direct Federal Funding:			
Historic Preservation Fund Grants-In-Aid	15.904	N/A	<u>4,010</u>
General Services Administration			
Indirect Federal Funding:			
SD Federal Property Agency:			
Donation of Federal Surplus Personal Property (Note C)	39.003	*****	<u>9,263</u>
Department of Housing and Urban Development			
Direct Federal Funding:			
Community Development Block Grants / State's Program			
and Non-Entitlement Grants in Hawaii	14.228	N/A	<u>260,000</u>
Department of Justice			
Direct Federal Funding:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	<u>10,295</u>
Total Expenditures of Federal Awards			<u>\$ 4,196,547</u>
***** "No" Pass-Through Entity Identifying Number Given			

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Pierre, and is presented on the modified accrual (government funds) / full accrual (proprietary funds) basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. City of Pierre received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient, if any, is treated as an expenditure when it is paid to the subrecipient.

Note B – Significant Accounting Policies

Governmental fund types account for the City of Pierre's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City of Pierre's summary of significant accounting policies is presented in Note 1 in the City of Pierre's basic financial statements.

Note C – Federal Surplus Property

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City of Pierre.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106
Highway Planning and Construction	20.205
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2013-A - Preparation of Financial Statements, Related Footnotes, and the Schedule of Expenditures of Federal Awards

Material Weakness

Criteria: An organization's internal control structure should be designed to provide for the preparation of complete and accurate financial statements and footnotes in accordance with generally accepted accounting principles.

Condition: During the course of the audit engagement, the City of Pierre requested assistance from the auditors to draft the financial statements, the accompanying notes to those financial statements and a final schedule of expenditures of federal awards.

Cause: The City of Pierre does not have an internal control system designed to provide for the correct and complete preparation of the financial statements including required footnotes, disclosures and the schedule of expenditures of federal awards.

Effect: The preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by City personnel.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response and Corrective Action Plan

Actions Planned in Response to the Finding: Management will review for propriety the draft financial statements, footnotes, and schedule of expenditures of federal awards prepared by the auditor. Due to the City's size, we will accept the risk associated with this condition based on cost and other considerations.

Explanation of Disagreement: Management does not disagree.

Official Responsible for Ensuring Corrective Action Plan: Leon Schochenmaier, City Administrator

Planned Completion Date for Correction Action: Ongoing

Plan to Monitor Completion of Corrective Action: Management will also continually monitor the availability of resources and capabilities to completely and accurately prepare the financial statements, related footnotes, and the schedule of expenditures of federal awards.

2013-B - Material Audit Adjustments

Material Weakness

Condition: During the course of our engagement, we proposed material audit adjustments to the City's recorded account balances, which if not recorded, would have resulted in a material misstatement of the City's financial statements.

Criteria: A system of internal accounting control contemplates accurate recording and presentation of amounts and disclosures in the financial statements.

Cause: The City does not have an adequate internal accounting control system to identify all relevant and material adjustments necessary to ensure that financial statements are in accordance with generally accepted accounting principles.

Effect: The lack of internal accounting control could result in the City's interim financial information being materially misstated.

Recommendation: We recommend training specific to governmental accounting principles so that staff is able to ensure financial statements are materially correct. In addition, a thorough review of the transactions and balances in each fund should take place prior to the beginning of the audit to ensure that generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Management's Response and Corrective Action Plan

Actions Planned in Response to the Finding: Management will implement a system of internal accounting control to ensure financial statements are materially correct.

Explanation of Disagreement: Management does not disagree.

Official Responsible for Ensuring Corrective Action Plan: Leon Schochenmaier, City Administrator

Planned Completion Date for Correction Action: June 30, 2015

Plan to Monitor Completion of Corrective Action: Management will follow up on the system implemented for continued compliance.

2013-C – Lack of Segregation of Duties

Material Weakness

Condition: City of Pierre has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in recording, reviewing and approving year-end journal entries.

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no individual handles a transaction from its inception to its completion without proper review or approval from another individual.

Cause: The City has insufficient number of staff to adequately separate duties. It was also noted that there was only one individual performing the year-end adjusting entries without review from another individual.

Effect: This condition, including the lack of a review and approval process for recorded journal entries, increases the risk that fraud or errors might occur in the financial reporting process.

Recommendation: We recommend that an individual, outside of the person recording the year-end adjusting journal entries, reviews these items to ensure proper recording and help detect errors or fraudulent activity.

Management's Response and Corrective Action Plan

Actions Planned in Response to the Finding: Management will implement a system of internal accounting control to ensure year-end adjusting journal entries are reviewed.

Explanation of Disagreement: Management does not disagree.

Official Responsible for Ensuring Corrective Action Plan: Leon Schochenmaier, City Administrator

Planned Completion Date for Correction Action: June 30, 2015

Plan to Monitor Completion of Corrective Action: Management will follow up on the system implemented for continued compliance.

2013-D - Compliance with South Dakota Codified Law (SDCL)

Significant Deficiency

Condition: During the course of performing our audit, it was noted that for certain items tested, the City of Pierre was not in compliance with certain SDCL sections relating to (a) refraining from overspending budgeted expenditures, (b) performing transfers only after proper governing body approval, and (c) making a report of all outstanding checks over one year old by November 1st.

Criteria: The respective SDCL sections related to the topics mentioned in the condition paragraph are: (a) SDCL 9-21-9-15 relating to overspending budgeted expenditures, (b) SDCL 9-21-26.1 relating to performing interfund transfers only have a two-thirds vote from a governing body, and (d) SDCL 43-41b-14, 18 related to reporting of old outstanding checks.

Cause: Management did not exercise sufficient oversight with respect to ensuring compliance with applicable SDCL provisions.

Effect: Non-compliance with the aforementioned SDCL provisions could result in unauthorized spending, unauthorized receivable write-offs, and insufficient reporting to constituents.

Recommendation: We recommend the City obtain a copy of the statutory checklist from the SD Department of Legislative Audit and review the SDCL provisions items applicable to municipalities to ensure future compliance.

Management's Response and Corrective Action Plan

Actions Planned in Response to the Finding: Management has obtained a copy of the statutory checklist from South Dakota Department of Legislative Audit and will review and integrate these items into the financial reporting schedule to ensure compliance.

Explanation of Disagreement: Management does not disagree.

Official Responsible for Ensuring Corrective Action Plan: Leon Schochenmaier, City Administrator

Planned Completion Date for Correction Action: January 31, 2015

Plan to Monitor Completion of Corrective Action: Management will continuously review the checklist and finance office procedures to ensure compliance.

2013-E – Account Reconciliation Differences

Significant Deficiency

Condition: The City does not have an internal control system designed to provide for the proper recording and reconciling of fixed asset activity in the maintained depreciation schedules to the general ledger accounts and financial statements. During the course of our engagement, we noted discrepancies in reconciling fixed asset activity from maintained depreciation schedules to the general ledger account balances. In addition, we noted a discrepancy in reconciling the main cash account from the bank statement to the general ledger. The discrepancies were not material to the financial statements.

Criteria: An organization's internal control structure should provide for the proper recording and reconciling of supporting documentation to the general ledger accounts and financial statements.

Cause: The City does not have staff with the training specific to the depreciation system to ensure proper reconciliation of fixed asset activity to depreciation schedules and general ledger accounts. In addition, current workload for personnel has delayed the process for investigating reconciliation differences.

Effect: The inability to properly reconcile supporting documentation to general ledger accounts may result in misstatements to the financial statements and related disclosures.

Recommendation: It is the responsibility of management to ensure that staff is adequately trained and supervised to facilitate the proper recording and reconciling of account activity to supporting documentation to ensure accurate recording to the respective general ledger accounts.

Management's Response and Corrective Action Plan

Actions Planned in Response to the Finding: Management will reassess procedures for recording, reconciling, and monitoring fixed asset additions and deletions and bank account reconciliation differences.

Explanation of Disagreement: Management does not disagree.

Official Responsible for Ensuring Corrective Action Plan: Leon Schochenmaier, City Administrator

Planned Completion Date for Correction Action: June 30, 2015

Plan to Monitor Completion of Corrective Action: Management will reassess the reconciling procedures of fixed asset activity to the maintained depreciation schedules and bank account reconciliation procedures to ensure that all activity recorded in the general ledger are complete and accurate.

2013 –F Data Collection Form Submission Deadlines

Significant Deficiency

Condition: The 2013 data collection form was not submitted to the Federal Audit Clearinghouse by the due date.

Criteria: The data collection form is required to be submitted to the Federal Audit Clearinghouse within nine months of year-end, which for the City is September 30 of the following year.

Cause: Certain delays during the audit process prevented timely completion of the audit and timely submission of the data collection form.

Effect: Untimely filing of the data collection form could affect future funding from federal agencies.

Recommendation: We recommend that the City implement a process of internal controls to ensure that adjusted financial records are available for audit so that the audit process can be performed timely, which will help ensure the timely submission of the data collection form.

Management's Response and Corrective Action Plan

Actions Planned in Response to the Finding: Management will implement procedures to ensure that financial records are adjusted and prepared in a timely fashion so that the City is prepared for the audit.

Explanation of Disagreement: Management does not disagree.

Official Responsible for Ensuring Corrective Action Plan: Leon Schochenmaier, City Administrator

Planned Completion Date for Correction Action: June 30, 2015

Plan to Monitor Completion of Corrective Action: Management will monitor the year-end activities as well as preparation for the audit process to ensure items will be prepared.

Section III – Federal Award Findings and Questioned Costs

None

Financial Statement Findings

2012-A - Preparation of Financial Statements, Related Footnotes, and the Schedule of Expenditures of Federal Awards

Status: Not corrected.

Auditor Response: This prior year finding has been restated as 2013-A.

2012-B – Material Audit Adjustments (Including Correction of Errors)

Status: Not corrected.

Auditor Response: This prior year finding has been restated as 2013-B.

2012-C – Compliance with South Dakota Codified Law (SDCL)

Status: Not corrected

Auditor Response: This prior year finding has been restated as 2013-D.

Findings Related to Federal Awards

Finding 2012 – 001

Department of Transportation

CFDA #20.106

Airport Improvement Program

Compliance Requirement: Reporting

Significant Deficiency in Internal Control over Compliance

Status: This prior year finding has been corrected.